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ZNR UUUUU ZZH
P 221601Z JUN 06
FM AMEMBASSY BRASILIA
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INFO RUEHRI/AMCONSUL RIO DE JANEIRO 2331
RUEHSO/AMCONSUL SAO PAULO 7255
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SUBJECT: BRAZIL'S CPI DOS BINGOS ENDS WITHOUT A BANG

REF: A) BRASILIA 877

B) BRASILIA 551

C) 05 BRASILIA 3106

D) 05 BRASILIA 2902

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¶1. Summary: The series of Congressional investigations into corruption within President Lula's government came to an anticlimactic end on Monday with the issuance of the final report of the last investigative commission, the CPI dos Bingos. While calling for the indictment of several figures close to the President, it did not ask for further action against former chiefs of staff Dirceu and Carvalho, despite the frequent citations of their names in the final report. The end of a process that at one time appeared to threaten Lula's re-election, if not impeachment, came as Lula's approval ratings and re-election prospects continue to rise, and Brazilians -- long since weary of the whole affair -- are much more focused on the weight and age problems of star soccer players than on the financial shenanigans of Lula's government and political party. End Summary.

¶2. After close to a year of testimony and 80 meetings, the Brazilian Congress' Commission of Public Inquiry (CPI) dos Bingos (reftels) closed in unsensational fashion on Monday, June 19, with the issuance of a final report, calling for the indictment of 79 individuals and 4 businesses. Originally intended to investigate illegal PT campaign financing via diversions of funds from bingo houses in 2002, the Commission ended up scrutinizing a variety of activities linked to members of the government including corruption, coercion and abuse of public authority. Many of the individuals were closely linked to President Lula da Silva, although he was never directly implicated in the myriad of "plausible" wrong-doing.

¶3. While the opposition scored a nominal victory with the inclusion of such PT stalwarts as ex-finance minister Antonio Palocci and ex-campaign treasurer and Lula confidante, Paulo Okamoto, the report failed to call for indictments against ex-Minister/Chief of Staff Jose Dirceu and ex-Chief of Staff Gilberto Carvalho. The report is being forwarded to the Brazilian Public Ministry (Attorney General's Office) which has the power to indict the individuals based on the Commission's recommendations.

¶4. The Committee suggested indicting Palocci for a variety of abuses committed during his tenure as the mayor of Ribeirao Preto, not the least of which includes forming a criminal organization, stealing public funds, money laundering and general administrative impropriety. Okamoto, despite a dearth of evidence against him, was recommended for indictment for money laundering, tax evasion and paying dividends to Lula during his tenure as the PT's campaign treasurer. The CPI had previously tried unsuccessfully to gain

access to Okamoto's bank records, but was rebuffed by the courts for lack of evidence supporting the request.

15. Lula's name was left off of the list of recommended indictments due to a lack of reliable evidence tying him to any of the crimes. For their part, Dirceu and Carvalho were spared as part of a political compromise to win votes for the final report. Garibaldi Filho, the report's author, clarified that he was not defending their innocence, he was just not able to qualify the mens' actions as public graft. Their names, however, were cited throughout the report in connection to multiple crimes.

16. While the CPI has ended, it awaits to be seen, how the Public Ministry will handle the report. Often called the CPI of the End of the World because it highlighted such a large scope of purported abuses within Lula's administrative hierarchy, the extent of the the report's undertaking may be a loophole that various figures can use to escape further inquiry. While Tiao Viana, one of the Committee's two PT members, noted that it is not the government's intention to send the verdict to the Brazilian Supreme Court (STF), he said that it would be justified in doing so. The argument against forwarding the report is that the CPI failed to restrict its investigations to crimes associated with the bingos finance scandal and, therefore, overstepped its jurisdiction. Indeed, at one point several months ago, President Lula scornfully observed that he was still waiting for the CPI dos Bingos to take testimony from a bingo house operator. Okamoto, it is expected, will appeal to the STF, "to prove my innocence against calumny and the political fight that has transformed this CPI".

17. Comment: The general lack of heat or light surrounding the release of the CPI's final report stands in stark contrast to the situation only six months ago, when the three ongoing Congressional investigations, buttressed by unending press revelations of alleged wrongdoing, seemed to have doomed President Lula's re-election bid. There was even a time when the prospect of impeachment seemed not that unlikely. That is all a distant memory now, as President Lula's approval ratings continue to climb and his negative ratings

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continue to fall. With the press and public focusing the majority of its attention on the minutia (or lack thereof on the part of one star player) of every vagary of the Brazilian World Cup team, we do not expect the latest report to have a significant impact on the future of President Lula or his workers party.

CHICOLA